Preliminary considerations for establishing more ambitious 2030 EU climate goals

09 December2020

Key messages

The consequences of climate change are rapidly becoming more apparent, making more ambitious climate policies necessary – globally and in the EU. As an important contribution to global efforts, the EU agreed to become climate neutral by 2050. A robust framework is a precondition for achieving this target. Such framework includes, for example, enhanced gross reduction targets for 2030, emission budgets, independent scientific climate advisory bodies, phasing out fossil fuel subsides, and strong support to ensure a just transition in Member States. The spread between national targets from currently 0 % to 40 % should be scaled up, taking into account previous individual emission reduction performance and national capabilities. To better understand the impacts of higher targets, Member States should bring forward their own impact assessments – as a contribution to the debate. If designed well, EU ETS extension could be a driver for climate neutrality by 2050, while avoiding adverse social impacts.

About this paper

This paper is part of the project "Building bridges — High Trust Network with Conservative Groups for Ambitious Climate Action", funded by the European Climate Initiative (EUKI).[1] The project aims to facilitate dialogues on climate policies between conservative and other groups from Hungary, Poland and Germany.

Where are we?

As of 2019 the EU has reduced its overall greenhouse gas (GHG) emissions by 24% compared to 1990 levels.[2] This means that it is set to surpass its 2020 emission reduction target of 20%.[3] Currently a common binding target of reducing GHG emissions by at least 40% by 2030 is in effect.[4] It was decided after lengthy consultations within the European Council 6 years ago in a long and detailed conclusion[5].

Since 2014 a lot has changed. With rapidly shrinking emission budgets, climate change has become even more urgent. CO_2 concentrations in the atmosphere reached 414 ppm in 2020[6], the

[1] Opinions expressed in this paper represent the views of the authors and do not necessarily represent the position of the European Climate Initiative. For further information, please contact nils.meyer-ohlendorf@ecologic.eu.
[2] https://www.eea.europa.eu/highlights/sharpest-decrease-of-the-decade
[3] https://ec.europa.eu/clima/policies/strategies/2020_en
[4] https://ec.europa.eu/clima/policies/strategies/2030_en
[5] https://data.consilium.europa.eu/doc/document/ST-169-2014-INIT/en/pdf
[6] https://www.esrl.noaa.gov/gmd/ccgg/trends/data.html

highest concentration in the last 800.000 years, and the consequences of climate change are rapidly becoming more apparent, making more ambitious climate policies necessary – globally and in the EU. In light of this, the next decade is critical to stand a chance of halting climate change.

Where do we want to go?

Against the background of accelerating climate change, the EU agreed to become climate neutral by 2050, an important contribution to global efforts to fight climate change. After agreement in the European Council on the objective of achieving a climate-neutral EU by 2050,[7] the subsequent revision of the 2030 target has started. In September, the Commission published a communication[8] on the 2030 climate target plan, accompanied by an impact assessment. The Commission also adopted a proposal amending the initial proposal on the European climate law to include a revised emission reduction target of at least 55% by 2030.[9] Based on these documents, a lively debate on the overall targets is currently going on and it is hoped to be settled very soon.

How do we get there?

Robust framework for climate neutrality

A robust framework is an important precondition for achieving climate neutrality within the next 30 years. Such framework includes, for example, phasing out fossil fuel subsides, strong science based and independent policy advice, emission budgets, targets for negative emissions, and strong support for Member States to ensure that no social group or region is left behind. It also includes a reinforced reduction target for 2030, which takes into account the remaining emission budget for the EU, represents a credible pathway to climate neutrality in 2050, and which represent a fair contribution to the global efforts under the Paris Agreement.

The newly proposed 55% emission reduction by the Commission is a net target, i.e. a target that includes reductions and removals.[10] This approach is a significant shift from the current target design which only is gross targets for emission reductions. It should be noted that the 2050 climate neutrality target is also a net target, meaning the EU is obliged to reach a balance between emissions and sinks and not only to reduce emission by x percent. The Environment Council endorsed the Commission's proposal in principle but – crucially – referred the decision on the level of ambition to the European Council. [11] The European Parliament, in contrast, called[12] for a gross reduction target of 60%. The discussion on how to best address this challenge is an essential issue because CO_2 removals are the inherently weaker path of climate protection, making a strong case for gross targets which treat reductions and removals separately.[13]

[7] https://www.consilium.europa.eu/media/41768/12-euco-final-conclusions-en.pdf
[8] https://ec.europa.eu/clima/sites/clima/files/eu-climate-action/docs/com_2030_ctp_en.pdf
[9] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0563&from=EN
[10] i.e. the level of emissions after deduction of removals
[11] https://www.consilium.europa.eu//media/46514/st12261-en20.pdf?utm_source=dsms-auto&utm_medium=email&utm_campaign=European+climate+law%3a+Council+reaches+agreement+on+large+parts+of+the+proposal
[12] https://www.europarl.europa.eu/doceo/document/TA-9-2020-0253_EN.html
[13] E.g. a recently presented discussion paper argued that the new EU climate architecture should include a separate carbon dioxide removals target which should be separate from the EU's reduction targets (Meyer-Ohlendorf, Nils 2020: EU Framework for CO2 Removals – Targets and Commitments. Berlin: Ecologic Institute)

Impacts on individual Member States

The common EU GHG target can only be met by the common efforts of all Member States. However, the Commission's detailed impact assessment[14] did not provide information on the impacts of the more ambitious goals on the individual Member States. Now a couple of Governments argue that until the envisaged impacts on their economies could not be seen it is difficult for them to agree on a more ambitious goal. The European Council invited the Commission „to conduct in-depth consultations with Member States to assess the specific situations and to provide more information about the impact at Member States' level."[15] The Commission argued that the impact assessment on Member States will be published together with the revision of the complete EU climate legislation package by June next year, i.e. well after the overall target is planned to be adopted.

Without questioning the importance of robust impact assessments and recognizing that clarity on impacts on Member States in particular is important for informed decision-making, it is also clear that even the most detailed impact assessments have limits, and cannot take all risks and changing circumstances into account. To reconcile this tension, Member States should bring forward their own impact assessments – as a contribution to the public debate. It could also help if conclusions of the European Council would provide guidance, by providing some assurance for adequate support for Member States. These conclusions, however, will have to stay within constitutional limits of the mandate of the European Council – as enshrined in Articles 13 - 15 of the Treaty on the Functioning of the EU – , and should avoid being too detailed. In advance, the European Council already underlined that all additional effort needs to „take into account national circumstances and considerations of fairness and solidarity."[16] These quite vague principles should be further elaborated in the conclusions. In the case of the 2014 European Council decision, it eventually took almost four years to negotiate the detailed legislative rules. The lessons from this very long negotiating process should be learned and the new legal framework should be adopted much more swiftly.

Distributing reduction targets

The responsibility of individual Member States should be maintained by keeping the national targets, however the overall "climate performance" of the Member States varies significantly.[17] Some of them have even increased their emissions compared to 1990 which makes it very difficult for them to argue credibly towards more ambitious goals. It follows that if the EU is serious about the 2050 climate neutrality objective, (which can only be more or less the result of climate neutrality in all MSs[18]) then "free riding" needs to be terminated now. To achieve climate neutrality and new

[14] https://ec.europa.eu/clima/sites/clima/files/eu-climate-action/docs/impact_en.pdf
[15] Para. 12 European Council conclusion 15 and 16 October 2020
[16] Para. 11 European Council conclusion 15 and 16 October 2020
[17] https://ec.europa.eu/eurostat/statistics-explained/pdfscache/1180.pdf , further discussion of the different mitigation potentials: https://pie.net.pl/wp-content/uploads/2020/08/PIE-Time-for-decarbonisation.pdf
[18] However this concept is highly debated by some Member States arguing that the common climate neutrality goal does not mean that every single Member States should go climate neutral. But from a technical point of view it is difficult to imagine that some countries would become significant net sinks so that they can compensate the continued net emissions from others. And not least this reasoning also lacks the elaboration on how the net emitters would compensate the net sink countries for gaining on their achievements.

2030 targets, the spread between national targets from currently 0 % to 40 % should be scaled up to support the EU to become climate neutral in the next 30 years. At the same time, there should be a minimum target for 2030 in which all individual Member States should decrease their own emissions compare to 1990 levels. The introduction of these rules could put the EU as a whole on a more realistic track leading up to the 2050 climate neutrality goal and it would reinforce the common efforts and the expected convergence would also support the achievement of the higher common goals.

The role of the ETS and non-ETS sectors

The common EU climate target is divided into sub targets for the ETS and non-ETS sectors. Obviously, the more ambitious goals to -55% would lead to significantly higher GHG emission reductions both in the ETS sectors and the sectors covered by the Climate Action Regulation, possibly in the range of 61 % for the ETS sectors and 47 % for non-ETS sectors.[19] The possible impacts of that have been addressed in the Commission's impact assessment and public consultation is already under way.[20]

There is a debate on the success of the EU ETS. It proved to be a successful tool to reduce emissions but only after various reforms, including an increase of the linear reduction factor and the introduction of the Market Stability Reserve. According to the latest data[21] emissions from installations covered by the ETS decreased by 4.1% in 2018 compared to 2017. And it is under way to fulfil the 2020 emission reductions expectations but unlikely to meet the existing 2030 target of – minus 43 % within the current system, let alone a higher target under any increased 2030 EU target.[22] Due to its relative success in achieving targets, there is widespread discussion among stakeholders whether the inclusion of additional sectors into the ETS could lead to more efficient climate policy.[23]

There are many pros and cons that could be attributed to the various proposals for extending ETS, but a full assessment is only possible once a legislative proposal is put forth. Regardless of these uncertainties, the extension of ETS could be an important tool for achieving climate neutrality by 2050. Any reform should also ensure that the differences between the economies of the Member States are duly taken into account in order to avoid adverse social impacts. It is understood that the extension of ETS is a major change with many implications and introduces the risk of delaying action.[24] According to another initiative by Poland, the ETS "should redirect more revenues to poorer countries needing support to cut greenhouse gas emissions" by the creation of a new "energy solidarity fund".[25]

[19] Öko-Institut and Agora Energiewende (2020): How to Raise Europe's Climate Ambitions for 2030: Implementing a -55% Target in EU Policy Architecture
[20] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives?&topic=CLIMA
[21] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0557R(01)&from=EN
[22] https://www.eea.europa.eu/publications/the-eu-emissions-trading-system
[23] Öko-Institut and Agora Energiewende (2020): How to Raise Europe's Climate Ambitions for 2030: Implementing a -55% Target in EU Policy Architecture. Available at: https://static.agora-energiewende.de/fileadmin2/Projekte/2020/2020_07_Raising-EU-Ambition/185_A-AW-EU_Ambition_WEB.pdf
[24] See e.g. https://www.camecon.com/blog/the-risks-of-extending-the-eu-emissions-trading-system/
[25] https://www.reuters.com/article/eu-carbontrading-poland/poland-seeks-extra-carbon-market-cash-for-green-shift-idUSL4N2HB2QN?